



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 December 11

NEW RESERVE FUNDS

Recommendation

It is recommended that the Finance & Facilities Committee make the following recommendations to the Board of Health in regards to reserve funds:

- 1) Reaffirm the purpose of the existing Reserve / Reserve Funds attached as Appendix A of Report No. 047-14FFC, and further*
- 2) Approve the establishment of a Technology & Infrastructure Reserve Fund as outlined in Appendix A of Report No. 047-14FFC, and*
- 3) Approve the establishment of an Employment Costs Reserve Fund as outlined in Appendix A of Report No. 047-14FFC.*

Key Points

- As outlined in the Reserve/Reserve Fund Policy, any reserve funds must be established by resolution of the Board of Health.
- As part of the 2014 Board of Health budget, two new reserve funds were introduced, one for an annual contribution of \$250,000 for costs associated with the use of property and periodic IT expenses, and another \$200,000 annually to mitigate specific inflationary pressures.

Background

In accordance to the revised [Reserve / Reserve Fund Policy](#) that was approved by the Board of Health on November 20, 2014 each reserve fund must be established by a resolution of the Board of Health. At the time of establishment, the purpose of the Reserve Fund, maximum contribution and expected timelines for contributions to and withdrawals from the Reserve Fund is provided.

Attached as [Appendix A](#) is a summary of current reserves and reserve funds as well as two new reserve funds introduced in the 2014 Board of Health budget.

New Reserve Funds

Contributions of \$450,000 to two new reserve funds were approved in the 2014 Board of Health budget. An annual contribution of \$250,000 for costs associated with the Board of Health's use of property and periodic Information Technology expenses, and another \$200,000 annually for a new reserve fund to mitigate specific inflationary pressures. The following is a brief description and intended use of the contributions.

Technology & Infrastructure Reserve Fund – NEW

The Technology and Infrastructure Reserve is being established to create a funding source for buildings and infrastructure capital projects, new equipment purchases and capital replacement programs. Use of the reserve is restricted to the following types of purchases:

- Major construction, acquisition, or renovation activities as approved by the Board of Health
- Major purchases of Information Technology software or hardware.
- Vehicle, furniture or equipment replacement

The maximum contributions to this fund are being proposed at \$2 million, with annual contributions of \$250,000. Planned withdrawals will be reported annually through the annual budget process, and actual withdrawals will be reported through the annual reporting of the Reserve /Reserve Fund balances.

Employment Costs Reserve Fund – NEW

The Employment Costs Reserves Fund is required to mitigate the impact of growth of wages and/or employee benefits. For example, the Health Unit may propose staff wellness strategies to maintain or reduce benefit costs.

The maximum contributions to this fund are being proposed at \$600,000, with annual contributions of no more than \$200,000. Planned withdrawals will be identified in the annual budget process or the quarterly variance process, and actual withdrawals will be reported through the annual reporting of the Reserve/Reserve Fund balances.

Conclusion

As part of the Board approved 2014 budget, the establishment of two new reserve funds is being recommended. The first is an annual contribution of \$250,000 for costs associated with the Board of Health's use of property and periodic IT expenses. The second is an annual contribution of \$200,000 to mitigate specific inflationary pressures.

This report was prepared by Mr. John Millson, Director of Finance & Operations.



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